
**Financial Institutions &
Insurance Committee**

HB 2338

Brief Description: Extending the mortgage lending fraud prosecution account.

Sponsors: Representatives Kirby, Roach and Chase; by request of Department of Financial Institutions.

Brief Summary of Bill

- Delays the expiration of the Mortgage Lending Fraud Prosecution Account from June 30, 2006, until June 30, 2011.

Hearing Date: 1/12/06

Staff: Jon Hedegard (786-7127).

Background:

In 2003, the Legislature created the Mortgage Lending Fraud Prosecution Account (Account), a specific fund to aid in the prosecution of consumer fraud in the mortgage lending process.

The Account is administered by the Department of Financial Institutions (DFI). Funds for the Account are generated by a \$1 surcharge, assessed at the recording of a deed of trust. In order to defray the costs of collection, the county auditor may retain up to 5 percent of the funds collected. Once collected by a county, the funds must be transferred monthly to the State Treasurer who, in turn, must deposit the funds into the Account.

The DFI can use the Account to reimburse county prosecutors and the Attorney General for costs related to the investigation and prosecution of mortgage fraud cases. Reimbursable items include training costs for investigators and prosecutors and expenses related to investigation and litigation. County prosecutors may even seek recovery of salaries for members of their staff who were assigned to the prosecution of a particular case. The Director of the DFI (or designee) may authorize expenditures from the fund. The DFI is required to consult with the attorney general and local prosecutors in developing guidelines for the distribution of the funds, which are to be used to enhance law enforcement capabilities at both the state and local level.

The DFI must make an annual report to the Legislature regarding the use of the funds in the Account.

The mortgage lending fraud prosecution account, the surcharge, and the report expire on June 30, 2006.

Summary of Bill:

The expiration dates of the mortgage lending fraud prosecution account, the surcharge, and the report are delayed until on June 30, 2011.

Appropriation: None.

Fiscal Note: Requested on December 5, 2005.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.